

DISTRIBUTION

CHAPTER 21

CHANNEL OF DISTRIBUTION

- The path a product takes from producer or manufacturer to final user.



CHANNEL MEMBERS

- Intermediaries – also called middlemen, they move products from the manufacturer to the final user.



INTERMEDIARIES

- **Agents** – do **not** take ownership of goods. Paid commissions to get buyers and sellers together. (Sports, Actors, Pharm Sales, Real Estate)
- **Merchants** – **do** take ownership of goods.
 - Wholesalers
 - Retailers

WHOLESALEERS

- **Wholesalers** buy large quantities of goods from manufacturers, store them, and resell them to retailers.
 - **Rack jobbers** are wholesalers that manage inventory and merchandising for retailers by counting stock, filling it when needed, and maintaining store displays.
 - **Drop shippers** own the goods but do not physically handle the actual products. They deal in large quantities of items in bulk such as coal, limber and chemicals. They sell the goods to other businesses and have producers ship directly to the buyers.

RETAILERS

- **Retailers** sell goods to the **final consumer**.
- **Agents** do not own the goods they sell. Bring **Buyers** and **Sellers** together.
 - **Brick and Mortar** – retailers that sell from physical stores. They display, store and merchandise the products.
 - **Vending Services** – sell products through machines that dispense goods to consumers.
 - **E-Tailers** – sell products over the Internet

DIRECT AND INDIRECT CHANNELS

- **Direct** distribution occurs when the goods or services are sold from the producer directly to the customer.
 - Example: a farmer selling his corn in a road side farmers' market.
- **Indirect** distribution involves one or more intermediaries.
 - Example: Retail Store

MOST COMMON DISTRIBUTION

- **Distribution Intensity involves...**
 - How widely a product will be distributed

Physical Distribution is:

Activities that help to ensure that the right amount of product is delivered to the right place at the right time.

Distribution Center

- The main focus of a distribution center is to **MOVE** products, not **STORE** products.

